

## Message Text

CONFIDENTIAL

PAGE 01 STATE 248729

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FM SECSTATE WASHDC

TO AMEMBASSY QUITO IMMEDIATE

C O N F I D E N T I A L STATE 248729

TODEP 065

FOLLOWING REPEAT ABI DHABI 1554 ACTION SECSTATE INFO ALGIERS  
BEIRUT CARACAS JAKARTA JIDDA KUWAIT LONDON ROME TEHRAN TRIPOLI  
LAGOS MUSCAT OECD PARIS QUITO 11 NOVEMBER.

QUOTE

C O N F I D E N T I A L ABU DHABI 1554

BEIRUT FOR BAGHDAD;  
KUWAIT ALSO FOR DOHA.

1. GULF OIL CONFERENCE ENDED AFTERNOON NOV 10. MEETING DID NOT PRO-  
DUCE AGREEMENT AMONG SIX COUNTRIES REPRESENTED. COMMUNIQUE ISSUED AT  
END OF MEETING INDICATES SAUDI ARABIA, UAE AND QATAR HAVE AGREED TO  
PUT INTO EFFECT SAUDI PROPOSAL FOR LOWERING OF POSTED PRICE AND  
HEAVY INCREASES IN TAX AND ROYALTY ON EQUITY OIL. IRAQ, IRAN, AND  
KUWAIT RESERVE THEIR POSITION.

2. SAUDI ARABIA, KUWAIT, QATAR AND UAE WERE REPRESENTED BY THEIR  
MINISTERS OF PETROLEUM. IRAN SENT DIRECTOR OF ITS NATIONAL OIL  
COMPANY AND IRAQ UNDER SECRETARY OF PETROLEUM SHALABI. NEITHER OF  
LATTER WERE EMPOWERED TO COMMIT THEIR GOVERNMENTS TO SAUDI PLAN AND  
THEIR PARTICIPATION IN PROCEEDINGS, WE ARE TOLD, CONSISTED MAINLY OF  
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PAGE 02 STATE 248729

EXPLAINING THAT THEY WOULD RESERVE THEIR GOVERNMENTS' POSITION ON

VARIOUS PROPOSALS THAT AROSE.

3. STATEMENT ISSUED BY SAUDI ARABIA, UAE AND QATAR AT END OF MEETING STATES THAT THEY WILL PUT INTO EFFECT, BEGINNING NOVEMBER 1, 1974 FOR PERIOD THROUGH JULY 1975, FOLLOWING CHANGES: POSTED PRICE IS TO BE LOWERED BY 40 CENTS; ROYALTY RAISED TO 20 PERCENT; TAX RATE RAISED TO 85 PERCENT. WE ARE TOLD ON FIRST TWO ELEMENTS OF PROPOSAL UAE AND QATAR AGREED TO SAUDI PROPOSAL WITHOUT CHANGES. ON HIKE IN TAXES, WE ARE TOLD SAUDIS ARRIVED WITH PROPOSAL WITH INCREASE TO 81 PERCENT; SOMEHOW DURING COURSE OF PROCEEDINGS FIGURE GOT RAISED TO 85 PERCENT.

4. KUWAITI AMBASSADOR TELLS ME KUWAIT BASICALLY AGREES WITH SUBSTANCE OF SAUDI PROPOSAL, AND ATEEQI WAS EMPOWERED COMMIT HIS GOVERNMENT, DECISION TO RESERVE POSITION BASED ON RESERVATION KUWAITIS HAVE WITH THIS PROCEDURE. THEY BELIEVE GOK CONSIDERED MISTAKE TO PROCEED IN THIS MANNER OUTSIDE OF OPEC CONTEXT AND BELIEVED SAUDI PROPOSAL SHOULD BE TAKEN UP AT NEXT OPEC MEETING ALONG WITH OTHER PROPOSALS TO BE CONSIDERED THERE.

5. KUWAITI AMBASSADOR SAID THAT ALTHOUGH YAMANI DENIED THIS PUBLICLY, IT WAS WIDELY AGREED IN CORRIDOR DISCUSSIONS DURING MEETING THAT SAUDI PROCEDURE INPUTTING FORTH THIS PROPOSAL AT THIS TIME REPRESENTED DEAL THAT HAD BEEN MADE BETWEEN KING FAISAL AND SECRETARY KISSINGER DURING LATTER'S RECENT VISIT TO SAUDI ARABIA. KUWAITI AMBASSADOR EXPRESSED HIS PERSONAL OPINION THAT SAUDIS WOULD NOT HAVE DONE THIS UNLESS IT HAD MET WITH US CONCURRENCE.

6. ACCORDING TO KUWAITI AMBASSADOR, WHILE MEETING STILL UNDERWAY SHAIKH ZAYID RECEIVED BLISTERING MESSAGE FROM QADHAFI CRITICIZING UAE INITIATIVE IN CALLING MEETING AND STATING ITS PURPOSE WAS BETRAYAL OF ARAB INTEREST. LIBYAN AMBASSADOR COMMENTED WRITING TO HIS KUWAITI COLLEAGUE THAT QADHAFI WAS APPARENTLY GOING ON PUBLIC REPORTS THAT PROPOSAL INVOLVED ONLY LOWERING OF POSTED PRICE; HE HAD APPARENTLY NOT BEEN INFORMED ABOUT PROPOSAL TO RAISE ROYALTY AND TAXES.

7. MINISTER OF PETROLEUM OTAIBA AND UNDER SECRETARY ABDULLAH ISMAIL  
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PAGE 03 STATE 248729

BOTH LEFT IMMEDIATELY AFTER MEETING FOR AL AIN TO BRIEF CHAIRMAN OF ABU DHABI NATIONAL OIL COMPANY (ADNOC), SHAIKH TAHNOON.

8. COMMENT: FROM OUR HASTY ANALYSIS, GOVERNMENT TAKE ON BURDEN OF ABU DHABI ONSHORE EQUITY CRUDE WILL BE INCREASED BY SOMETHING ON ORDER OF \$2.25. WE DO NOT SEE THAT LOWERING OF POSTED PRICE WILL COME ANYWHERE NEAR COMPENSATING FOR UPWARD PRESSURE THIS RISE IN ROYALTY

AND TAX WILL EXERT ON PRICE LEVEL. RATIONALE HEARD EVERYWHERE HERE,  
OF COURSE, IS THAT  
INCREASED GOVERNMENT TAKE IS MEANT TO COME OUT OF  
"HUGE PROFITS" WHICH OIL COMPANIES ARE ALLEGEDLY AMASSING.  
STERNER  
UNQUOTE KISSINGER

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## Message Attributes

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